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FIRST COUNTRY COOPERATION FRAMEWORK FOR BOSNIA AND HERZEGOVINA (1997-1999)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Bosnia and Herzegovina outlines the agreed strategy and areas of focus for the use of UNDP-managed resources for the period 1997-1999. It was prepared following a broad consultative process with national and local government officials and representatives of local communities, non-governmental organizations (NGOs), United Nations agencies and programmes and the wider donor community.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Prior to its independence and the subsequent outbreak of hostilities, Bosnia and Herzegovina had a vibrant economy and a relatively well-off population of 4.5 million. The per capita gross domestic product in 1990 was estimated at $1,800. According to the Human Development Report 1992, in terms of its human development index, the former Yugoslavia ranked 37 out of 160 countries. However, when Bosnia and Herzegovina became independent in March 1992, the country was immediately embroiled in a war that tore it apart for the next four years. Hostilities eventually ended in a ceasefire in October 1995, which was followed by a peace agreement - the General Framework Agreement for Peace in Bosnia and Herzegovina - which was initialed in Dayton, Ohio, and signed in Paris on 14 December 1995. Some 250,000 people died during the war and an estimated 3 million people abandoned their homes, some 1 million of whom to sought refuge abroad. Key roads and bridges were destroyed, homes and communities were either destroyed or forcibly taken over by combatants, social services were disrupted, economic production was devastated and unemployment surged. Per capita income fell to $500. Many women became widowed heads of households. The ceasefire lines created artificial boundaries through towns and severed traditional social and economic linkages.

3. The Dayton Agreement sets out the institutional framework for rebuilding the country. Under the Agreement, Bosnia and Herzegovina is established as an internationally recognized country, divided into two "entities" - the Federation of Bosnia and Herzegovina, organized into 10 cantons, and the Serb Republic, organized as a unitary state. The central state Government is responsible for foreign affairs, customs, foreign trade, monetary policies and inter-entity matters in the areas of communications, transport and energy. Other responsibilities, including defence, social services and social welfare, are devolved to the entities. State elections took place in October 1996, and a Cabinet consisting of three ministries - foreign affairs, civil affairs and foreign trade - was established. Local elections are scheduled to be held in July 1997.

4. It has been only one year since the cessation of hostilities and the situation in the country is still in the process of normalization. On the political side, a 60,000-strong international military force set up as a result of the Dayton Agreement has been stationed throughout the country to maintain the peace. Since the signing of the Dayton Agreement, the situation has remained relatively calm, and as a result, the military force will soon be reduced to 30,000 troops. On the civilian side, however, much remains to be done to overcome the effects of the war.

II. RESULTS AND LESSONS OF PAST COOPERATION

Patterns of external development assistance

5. During the war, external assistance consisted primarily of humanitarian aid, provided mainly by NGOs and the Office of the United Nations High Commissioner for Refugees (UNHCR). In December 1991, United Nations agencies, led by UNHCR, the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO), began issuing annual United Nations Consolidated Inter-Agency Appeals to meet emergency humanitarian needs caused by the conflict

in the region. This aid includes emergency provisions for food and shelter, transport for displaced persons and refugees, maintenance of community services, and mine clearance. The 1996 United Nations Consolidated Inter-Agency Appeal raised approximately $500 million.

6. For the most part, non-humanitarian external development assistance is being provided within the framework of the Dayton Agreement. On 21-22 December 1995, one week after the Agreement was signed, an international donor conference was convened under the auspices of the World Bank and the European Commission. That donor meeting as well as a second meeting, held in April 1996, laid out a Priority Reconstruction Programme totalling $5.1 billion and involving some 58 donors. Additionally, over 400 NGOs operational in the region are providing support to funding agencies in the execution of project activities.

7. The Priority Reconstruction Programme addresses the immediate social, human and physical infrastructure needs in 12 sectors: agriculture, education, employment-generation, energy, government and social support, health, housing, industry, land-mine clearance, telecommunications, transport and water and waste management. Complementing the sectoral components are such peace implementation efforts as support to elections, the media and the local police. A task force has been set up in each sector to ensure coordination and complementarity. According to the first status report to the donor community, prepared in September 1996 by the World Bank and the European Commission, in partnership with the Government, some $880 million of the Programme was already under implementation, and the amount would increase to $1.4 billion, or 75 per cent of the 1996 pledges, by end of the year.

8. The humanitarian and reconstruction programmes have made substantial inroads into improving the situation. The September 1996 progress report mentioned in paragraph 7 above stated that the country's rail, road and air infrastructure had been restored to operational conditions, rehabilitation of power-generation plants and transmission lines was under way, repairs to more than 15,000 flats and private homes were under way, 3,000 head of livestock had been imported, and commerce was picking up due in part to donor-funded micro-credit schemes.

9. These accomplishments notwithstanding, serious challenges remain. Funding gaps remain large in many of the sectors. Little emphasis has been given to the Serb Republic to date. The sector task forces have been useful for information exchange, but are yet to be effective in resource coordination and mobilization. And most importantly, interventions must begin to look beyond the rehabilitation stage and work towards building a stable society that can sustain its own development efforts.

The role of the United Nations system

10. As noted above, humanitarian appeals have been the primary context for interventions by United Nations system agencies. Chief among them is UNHCR, whose mandate in Bosnia and Herzegovina also covers internally displaced persons. The World Food Programme works with UNHCR to contribute food supplies for the humanitarian effort. The UNICEF programme covers primary health care, immunization, nutritional support, hygiene, water supply and sanitation, pre-primary and primary education, and support to children in especially difficult circumstances. WHO focuses on disease prevention and maintaining the health care system. The United Nations Department of Humanitarian Affairs (DHA) organizes the Consolidated Inter-Agency Appeals and is responsible for de-mining activities. The Special Representative of the United Nations Secretary-General oversees DHA activities as well as the 1,700-member International Police Task Force posted throughout the country. Other United Nations system agencies have been implementing technical assistance programmes, sponsored largely by UNDP. Included in this category are the Industrial Labour Organization (ILO), the Food and Agricultural Organization of the United Nations, the United Nations Industrial Development Organization (UNIDO), the United Nations Department of Development Support and Management Services (DDSMS) and the United Nations

Office for Project Services (UNOPS). United Nations Volunteers (UNVs) have been fielded to work for several United Nations agencies engaged in humanitarian, reconstruction and development efforts.

The role of UNDP

11. In terms of a field presence, UNDP is a relative latecomer to Bosnia and Herzegovina, with the first programming mission taking place only in March 1996 and the office opening four months later. However, a few small-scale projects have been in place since 1994, relying on the unutilized indicative planning figure (IPF) resources for the former Yugoslavia. Projects begun in 1994 and 1995 focused on programming and sector strategy development, but also included a small reconstruction project in the municipality of Gornji Vakuf, executed by DDSMS, with financing from Special Programme Resources (SPR), which became the first area-based project funded by UNDP in Bosnia and Herzegovina. As of January 1996, $6.2 million were available for the programme in Bosnia and Herzegovina ($600,000 in IPF resources, an independence bonus of $590,000, and a special $5 million allocation from SPR and line 1.1.3 of the target for resource assignment from the core (TRAC) - see Executive Board decisions 95/26 and 96/11). With funding secured, UNDP began expanding its cooperation efforts into a wide range of areas. In March 1996, a multi-agency UNDP/United Nations system programming mission was fielded to define project priorities for UNDP and the United Nations system for UNDP funding. The mission produced several proposals, including emergency support in the agricultural, industrial, labor, health and education sectors and macroeconomic capacity-building, which were subsequently followed-up. A second area-based project, the Programme for Rehabilitation and Sustainable Social Development (PROGRESS), was initiated for the Bihac and Banja Luka areas. That project is being executed by UNOPS.

12. The year 1996 also saw negotiations between UNDP and the Government of Japan for cost-sharing in the amount of $30 million. Some of these funds were committed for priorities identified by the Japanese authorities, such as the rehabilitation of a pharmaceutical plant, while some were committed to projects proposed by UNDP, such as emergency seed production. Smaller amounts of cost-sharing resources earmarked for specific projects were also contributed by the Governments of Austria, Italy and the United States.

13. To date UNDP has aimed at establishing a presence in the country as quickly and as expeditiously as possible, in order to become a responsive and facilitating actor in Bosnia and Herzegovina's development process. Following the establishment of the office, 26 projects were approved within six months, with a delivery rate of 85 per cent in 1996. With the groundwork laid, the opportunity now exists, through the CCF process, to shape a well-defined UNDP contribution.

Lessons learned

14. Only one year has passed since the signing of the Dayton Agreement, and almost all of the foreign assistance being provided to Bosnia and Herzegovina falls under either the United Nations Consolidated Inter-Agency Appeals or the Priority Reconstruction Programme. The distinguishing feature of most of this assistance is that it is supply-driven; that is, aid is provided primarily on the basis of donor criteria and priorities, rather than the priorities of the communities being supplied. Where communities have no involvement in the process, aid is sometimes not as appropriate to the local situation and is more susceptible to misappropriation. Enabling community participation is a time-consuming process - in the interest of quickly bringing the country back to normalcy, it must be secondary to the more pressing need to distribute supplies and rebuild the infrastructure as rapidly as possible. As soon as it is feasible, however, there is a need for communities to begin the transition to sustainable development and rebuilding the fabric of their society.

15. Other than small-scale NGO interventions, the Gornji Vakuf and PROGRESS area-based development schemes are among the very few donor-sponsored efforts

designed to introduce a community focus to the assistance process. These projects are rebuilding local capacities so that communities can begin the transition from reconstruction to development as well as the process of reconciliation between the ethnic groups. In effect, these area-based projects are putting in place a structure at the local level to promote demand-driven development, ensuring that donor-supplied resources are made available to communities on their own terms and according to their own priorities. For example, an evaluation of the Gornji Vakuf project highlighted the remarkable results it produced in the construction of inter-community building blocks for the normalization of life in Gornji Vakuf, demonstrating what can be accomplished when donor inputs are applied to reinforce community participation and promote local ownership of development initiatives.

16. A second insight into the external cooperation process to date stems from government and donor perceptions of the UNDP position in Bosnia and Herzegovina. As a newcomer to the situation, and having very limited resources of its own at its disposal, UNDP cannot begin to claim a major role in the rebuilding effort. However, UNDP contributions in small but strategic areas have already been greatly appreciated; for example, an economic transition workshop struck a responsive chord with key officials at the higher levels of the Government. Similarly, a small project to prepare architectural designs for primary schools proved to be critical to the starting of a much larger reconstruction programme in the education sector, funded by the World Bank. In addition, the UNDP ability to effectively channel donor contributions to selected interventions has been helpful to the Governments of Italy and Japan and other donors. Overall, UNDP will continue to build credibility in a gradual manner, by focusing on small but strategic and visible results.

III. PROPOSED STRATEGY AND THEMATIC AREAS

17. In light of the development situation and the lessons learned from prior experience, the main objective of UNDP cooperation in Bosnia and Herzegovina will be to initiate the transition of donor assistance from reconstruction to development. UNDP support to this transition process will be carried out in as coherent and focused a manner as possible, to ensure that the limited resources available to UNDP are used to maximum effectiveness. One way to ensure this focus is to give the cooperation framework a name - the Transition to Development Initiative.

18. To achieve the above-mentioned objective, the first CCF will concentrate on three areas:

(a) Area-based development, to build capacities at the community level to promote the effective utilization of resources for reconstruction and development, within the framework of sustainable human development (SHD);

(b) Support to national sectoral reconstruction programmes, targeting, where relevant, regions where area-based development is taking place. This will help to optimize the impact of centrally-managed, national, sector-based reconstruction programmes with objectives that fall within UNDP development priorities, while expanding the range and funding size of components of area-based development schemes;

(c) Policy advisory support to improve government decision-making.

19. The rationale for concentrating on the three above-mentioned is outlined below:

(a) The need to enhance the impact of available resources by providing mechanisms, such as the decentralized area-based development approach, to enable the more effective utilization of donor assistance;

(b) The UNDP mandate to coordinate the transition from relief to development, particularly within the United Nations system;

(c) The comparative advantages of UNDP in building local capacities, governance structures and productive activities and providing impartial advisory services at the national level;

(d) The key UNDP SHD priorities, with particular emphasis on the promotion of sustainable livelihoods and the reduction of poverty.

20. Success criteria for the first CCF include:

(a) Major donors rely increasingly on area-based development schemes to channel their resources for sector-based reconstruction programmes;

(b) UNDP is perceived by the Government and key donors as an influential player in rebuilding Bosnia and Herzegovina and assisting in the country's transition to a market economy;

(c) Donor funds channeled through UNDP increase each year throughout the period covered by the first CCF.

A. Area-based development

21. The core of the Transition to Development Initiative will be to build on existing area-based development schemes and expand this approach to additional areas in the country. UNDP has worldwide experience with area-based development approaches in a wide range of reconstruction and rehabilitation situations. Resources channeled through area-based development schemes are truly valued by the target communities as meeting genuine local priorities. The result is that local communities are better able to work together, articulate demands, undertake initiatives for self-improvement and sustain capacity-building activities.

22. Under an area-based development programme, individual area-based development schemes will be established in selected target regions of the country, building on the initial experiences of Gornji Vakuf and PROGRESS. Locations and implementing arrangements will be flexible, depending on funding availability, the particular local circumstances and the potential of the centrally-managed sector-based reconstruction programmes to provide the schemes with the necessary development inputs. Depending on institutional capacity and the above-mentioned factors, some of the schemes may be implemented through community leaders, while others may be implemented through municipal or cantonal authorities. Support for the individual schemes will be available through a special unit to be established in Sarajevo, attached to the UNDP office, which will help to match community-generated requests with the inputs available from centrally-managed reconstruction programmes, and then to facilitate the approval of those requests.

23. All area-based development schemes will feature community participation and organization as a channel for the effective delivery of resources available for reconstruction. As multisectoral interventions, a range of initiatives is foreseen, including, for example: (a) rehabilitation of social infrastructure such as schools and health centres; (b) reconstruction of houses and physical infrastructure (roads and bridges); (c) employment-generating schemes (labor-intensive works and micro-credit); (d) vocational training to meet the demand for workers for reconstruction; (e) private-enterprise promotion, including business-enterprise development, with the provision of untied seed money to be allocated at the community's discretion, so as to build capacity for development priority-setting and communal decision-making; and (f) development and implementation of strategies to mitigate tension and build peace, such as multi-ethnic work brigades, youth clubs and centres, and conflict-resolution training.

24. A special effort will be made to ensure that women are full participants in all decision-making related to the prioritization, identification and implementation of activities initiated under area development schemes. Women will also be able to fully benefit from the entire range of opportunities offered by the schemes as they are they implemented.

25. CCF resources available for this component will initially cover four or five areas (including Gornji Vakuf and PROGRESS), which will serve as demonstration schemes. To accommodate the anticipated expanded interest in these schemes, additional donor funding will be sought to cost-share UNDP-sponsored areas.

26. Success indicators for this area of concentration include: (a) the satisfaction of target communities' demands in terms of rebuilding and employment; (b) the reduction of inter-ethnic tension within the target communities; (c) the strengthening of capacities for development decision-making and the institutionalization of processes; (d) comparatively higher rates of success or improved cost-effectiveness in centrally-managed sector-based programmes within the target areas; and (e) significant percentages of women as decision makers and beneficiaries.

B. Area-targeted sector-based programmes

27. As an important complement to the area-based development programme, UNDP will provide strategic support to selected centrally-managed sector-based SHD reconstruction programmes that can be directed, where relevant, to target the communities participating in area-based development schemes. Interventions will stress the following UNDP development priorities: (a) generation of opportunities for employment and sustainable livelihoods; (b) enhancement of income-earning potential, such as through private-enterprise promotion and education and training opportunities; (c) provision of basic needs, such as housing, school and health centre reconstruction and disability rehabilitation programmes; (d) political and economic empowerment of women; and (e) governance - strengthening the Justice Administration. All interventions will benefit from the infrastructure and complementary funding available within UNDP, such as regional and global programmes, experience-sharing networks and technical backstopping units, thus ensuring that all interventions represent international best practices in the field. Special efforts will be made to build synergies with the various SHD themes supported by the regional programmes of the Regional Bureau for Europe and the Commonwealth of Independent States.

28. Three types of sector-based programmes will be included in this area of concentration. First, UNDP will sponsor sector-based programmes in areas identified by United Nations agencies, such ILO, for vocational training and emergency employment schemes. Second, UNDP will sponsor interventions identified by donors expressing interest in cost-sharing with UNDP in priority areas, such as the project for resettlement of returnees proposed for European Union financing. Third, UNDP will provide strategic interventions in existing sector-based programmes sponsored by World Bank, UNHCR or other major donors, such as, for example, support to architectural designs for primary schools under the World Bank project, or support for selected donor task forces charged with coordination of sectoral restructuring programmes.

29. The main selection criterion for identifying the SHD sector-based programmes to be supported by UNDP will be leverage - the extent of the programme's contribution to the area-based development schemes supported under the first CCF, relative to the size of the contribution from UNDP resources. In this connection, success indicators for this area of concentration will include: (a) increased resources from the SHD sector-based programmes for target area-based development schemes; (b) increased cost-effectiveness in the implementation of sector-based programmes in area-based development regions, relative to their activities in non-area-based development regions; and (c) measurable improvements in the quality of life of beneficiaries owing to programme interventions.

C. Policy advisory support

30. The situation in Bosnia and Herzegovina is complicated by the existence of the complex administrative structure necessitated by the Dayton Agreement, the presence of a fluid political situation at all levels of government, and the fact the transition is being carried out in a newly created State, by officials who may require additional training and experience. Other donors that traditionally provide policy advisory services (such as the World Bank or the bilateral organizations) are concentrating on reconstruction or humanitarian assistance, leaving UNDP with the unique opportunity to play a relatively large role in supporting the Government in the area of policy advice.

31. Given the fluidity of the current situation, the most appropriate role for UNDP is to promote capacity-building interventions that will provide government officials with policy advisory support in key areas of the transition, so as to help to ensure that the decisions taken are as sound and thorough as possible.

32. Support will be provided in the form of technical specialists, observation tours and in-country workshops and seminars commissioned for the purpose of preparing policy positions and sectoral strategies. Opportunities to utilize local think-tanks and academic institutions will be stressed, and the network of United Nations specialized agencies and UNDP country offices throughout the region will facilitate contacts with the international community.

33. Examples of interventions in this area of concentration include the provision of policy advice and support related to: (a) a DDSMS-executed workshop on transition economies and its follow-up; (b) UNIDO assistance in the preparation of an industrial development strategy; and (c) ILO work to design a labor code for a market-oriented economy. Additional policy and strategy development activities are foreseen in the gender, education, health and social welfare, governance and democratization sectors, as well as in other spheres related to interventions under the first two areas of concentration (see sections A and B above).

34. Given that interventions of this nature are generally small-scale, this area of concentration will best be served by the formulation of a multisectoral umbrella project, which will be used to finance specific policy or strategy development initiatives. A related project will be developed to provide the statistics and SHD indicators necessary to establish monitoring benchmarks for gauging the success of the policies and strategies introduced under the umbrella project.

35. In order for this area of concentration to be relevant and of practical use to the future leaders of Bosnia and Herzegovina, who require a complete and comprehensive view of their country, it is important that the formulation of upstream policy interventions and activities supported by UNDP formally take into account the experiences, lessons learned and social and economic data generated by area-based programmes in Bosnia and Herzegovina.

36. Success indicators for projects in this area of concentration include: (a) the exposure of government decision-makers to relevant transition issues and experiences in other parts of the world; (b) the policies and strategies introduced as a result of the component's efforts produce the results intended; and (c) the introduction and maintenance of human development indicators as a part of the national statistical system.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

37. A number of execution modalities will be used for programmes and projects under the first CCF. The current state of administration in the country is such that national execution, the preferred modality, is not always feasible. Thus,

in some cases, UNOPS will act as the executing agency, and in other cases, United Nations specialized agencies will be requested to execute those projects falling within their respective substantive areas. The selection of these or other arrangements for the execution of a particular programme or project will be determined on a case-by-case basis.

38. NGOs will also be considered as implementing partners, since they are already demonstrating their capacity to work effectively at the local level. Furthermore, the use of local volunteers and UNVs is viewed as another effective means to reach local populations. Area development projects are particularly suited to national volunteers and experts, as are policy advisory support projects, which can draw on local academic institutions and think-tanks.

Programme monitoring and review

39. Three instruments will be used for programme monitoring and review. First, a three-year rolling resource planning framework will be employed to monitor the use of UNDP core and cost-sharing resources. Second, a triennial presentation and report will be made to the UNDP Programme Management Oversight Committee, which will assess the status of implementation and indicate the need for adjustments to maintain programme relevance. Third, extensive use will be made of the local Project Advisory Committee, which, for the purpose of monitoring and evaluation, will include relevant officials from the Government, NGOs, donor partners and United Nations system agencies.

Resources

40. UNDP-sponsored programmes and projects have been able to attract financial support from donors because of the organization's neutrality and coordinating role, as well as its mandate and its innovative, demand-driven development approaches. By December 1996, four bilateral donors - the Governments of Austria, Italy, Japan and the United States - had offered a total of $32.5 million in cost-sharing resources, and an additional $5,000,000 from the European Union, $4,500,000 from the Government of Italy, and $500,000 from the Government of Switzerland were anticipated.

41. The UNDP country office in Sarajevo will continue its efforts to mobilize external resources as a service to the donor community and as a means to facilitate complementary funding for programmes under the first CCF, acting as a bridge between the enormous demands for financial support and the considerable supply of donor funding available in Bosnia and Herzegovina.

42. The resource mobilization target for the CCF period has been set provisionally at $42.5 million, excluding TRAC 1.1.2 funds (see annex). Of the available resources, 30 per cent will be earmarked for area-based development, 30 per cent for sector-based programmes, 15 per cent for policy support, 15 per cent for other cost-sharing ventures; and 10 per cent as a strategic reserve.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR BOSNIA AND HERZEGOVINA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	460	
TRAC 1.1.1	3 071	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	6 500	$2.5 million for 1998 and $2.0 million for 1999, subject to confirmation of TRAC 1.1.3 1998-1999 allocation and Crisis Committee approval.
SPPD/STS	210	TCDC
Subtotal	10 241 a/	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	-	
Third-party cost-sharing	42 500	See details in para. 40.
Funds, trust funds and other	-	
Subtotal	42 500	
GRAND TOTAL	52 741 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TCDC = technical cooperation among developing countries; and TRAC = target for resource assignment from the core.